

# **Annual Financial Report**

**For the Year Ended June 30, 2020**



**Bynum Independent School District**

**Bynum, Texas**

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# Bynum Independent School District Annual Financial Report For the Year Ended June 30, 2020

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# CERTIFICATE OF BOARD

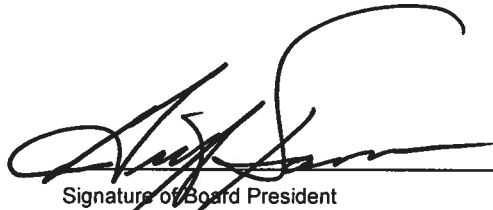
**Bynum Independent School District**  
Name of School District

**Hill**  
County

**109-902**  
Co-Dist. No.

We, the undersigned, certify that the attached financial reports of the Bynum Independent School District were reviewed and  approved  disapproved for the year ended June 30, 2020, at a meeting of the Board of Trustees of such school district on the 22<sup>nd</sup> day of September, 2020.

  
Signature of Board Secretary

  
Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):

## Independent Auditor's Report

To the Board of Trustees  
Bynum Independent School District  
Bynum, Texas

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bynum Independent School District (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bynum Independent School District as of and for the year ended June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bynum Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements and the required TEA schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the required TEA schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining and individual nonmajor fund financial statements and the required TEA schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School FIRST Indicators (Exhibit L-1) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated September 10, 2020, on my consideration of Bynum Independent School District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bynum Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bynum Independent School District's internal control over financial reporting and compliance.



Karl Kacir, CPA  
September 10, 2020

# Bynum Independent School District Management's Discussion and Analysis

Our discussion and analysis of the Bynum Independent School District's (the "District") financial performance provides an overview of the District's financial activities for the year ended June 30, 2020. Please read this analysis in conjunction with the District's financial statements that follow this section.

## FINANCIAL HIGHLIGHTS

- The District's total net position increased by \$421,016 from \$1,138,070 to \$1,559,086, an increase of 37.0%.
- Unrestricted net position increased \$286,741, from \$334,547 to \$621,288, an increase of 85.7%.
- Revenues increased \$258,070, from \$3,202,137 to \$3,460,207, an increase of 8.1%.
- Total cost of all District programs increased \$370,168, from \$2,669,023 to \$3,039,191, an increase of 13.9%.
- The General Fund ended the year with a fund balance of \$1,905,791, an increase of \$432,468 from the prior year balance of \$1,473,323.

These highlights and more are discussed in this section of the annual financial report.

## USING THIS ANNUAL FINANCIAL REPORT

This annual financial report consists of four sections as outlined in the Table of Contents:

- Management's Discussion and Analysis (this section);
- Basic Financial Statements;
- Required Supplementary Information; and,
- Other Supplementary Information.

### Basic Financial Statements

The **basic financial statements** include three components:

- Government-wide financial statements;
- Fund financial statements; and,
- Notes to the financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* are designed to provide a broad overview of the District's finances, in a manner similar to a private-sector business. The *statement of net position* presents information on all of the District's assets, deferred outflows, liabilities and deferred inflows, with the difference being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will affect cash flows in other fiscal years.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no business-type activities and no component units for which it is financially accountable. The government-wide financial statements can be found as Exhibits A-1 and B-1 of this report.

### Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The *fund financial statements* provide more detailed information about the District's most significant funds – not the District as a whole. Some funds are required by State law and/or bond covenants; other funds may be established by the Board to control and manage money



# Bynum Independent School District Management's Discussion and Analysis

for particular purposes or to show that it is properly using certain taxes or grants. All of the funds of the District can be divided into the following categories:

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained nine governmental funds during the year. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is always considered to be a major fund, and the Debt Service Fund. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* in the "Other Supplementary Information" section of this report.

Financial statements for District's governmental funds can be found as Exhibits C-1 and C-2, and Exhibits H-1 and H-2. The District adopts an annual appropriated budget for its General Fund, Food Service Fund and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with each of these budgets, which are included as Exhibits G-1, J-2 and J-3.

- **Proprietary fund.** The District maintained one type of proprietary fund. An *internal service fund* is an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses an internal service fund to account for its self-funded workers' compensation program. Because this service predominantly benefits governmental operations, its financial activities have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements. The proprietary fund financial statements are provided with the basic financial statements and provide information for the self-funded workers' compensation program. The internal service fund financial statements are presented in Exhibits D-1, D-2 and D-3.

- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of others. The District's fiduciary fund consisted of a student activity fund. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Financial statements for the District's fiduciary activities can be found as Exhibit E-1.

## **Notes to the Financial Statements**

The *notes to the financial statements* provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 22 of this report.

## **Required Supplementary Information and Other Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and other supplementary information, which includes schedules required by the Texas Education Agency. Such information can be found as noted in the table of contents of this report.

# Bynum Independent School District Management's Discussion and Analysis

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

**Table I - Bynum Independent School District's Net Position**

	Government Activities		Change 2019 to 2020
	2020	2019	
Current and other assets	\$ 2,343,095	\$ 1,914,979	\$ 428,116
Capital assets	2,328,332	2,361,853	(33,521)
Total Assets	4,671,427	4,276,832	394,595
Total Deferred Outflow s of Resources	755,803	484,646	271,157
Current liabilities	208,770	238,779	(30,009)
Noncurrent liabilities	3,125,687	3,075,036	50,651
Total Liabilities	3,334,457	3,313,815	20,642
Total Deferred Inflow s of Resources	533,687	309,593	224,094
Net Position:			
Invested in capital assets, net of related debt	770,579	661,464	109,115
Restricted for other purposes	167,219	142,059	25,160
Unrestricted	621,288	334,547	286,741
Total Net Position	\$ 1,559,086	\$ 1,138,070	\$ 421,016

Current and other assets include primarily cash and temporary investments, amounts due from other governments for state funding and grants, and property tax receivables. It increased \$428,116; the majority of the increase is in cash and temporary investments, resulting from excesses of revenues over expenditures. Capital assets and noncurrent liabilities are discussed below.

Net position increased by \$421,016, and the unrestricted net position increased \$286,741. The District has increased fund balance in the General Fund over recent years.

Table II reflects the revenues, expenses and changes in net position. Changes in revenues and expenses include:

- A decrease in charges for services was attributable to reductions in SHARS services paid by Medicaid.
- An increase in operating grant revenues, mostly from increases in on-behalf contributions by the State to pension and OPEB costs.
- An increase in State aid revenues due to an increase in State funding formulas.
- Personnel expenses, in general, increased because of an increase in TRS pension rates and due to increases in salaries, particularly for teachers and instructional staff.
- The increase in instructional expenses was also due to additional textbook adoptions in 2020.
- School leadership expenses increased due to an additional position added for an assistant principal.

The cost of all governmental activities this year was \$3,039,191; however, as shown in the Statement of Activities at Exhibit B-1, \$455,985 of costs were paid by operating grants and contributions (primarily federal and state grant funding) and \$19,051 was paid for by charges for services (such as for food service programs, extracurricular activities and athletic events, and SHARS). The remaining \$2,564,155 was paid for primarily by property taxes and state aid.

# Bynum Independent School District Management's Discussion and Analysis

**Table II - Bynum Independent School District's Changes in Net Position**

	Government Activities		Change 2019 to 2020
	2020	2019	
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 19,051	\$ 108,086	\$ (89,035)
Operating grants & contributions	455,985	405,927	50,058
General Revenues			
Property taxes levied for general purposes	1,029,257	1,030,740	(1,483)
Property taxes levied for debt service	159,653	140,762	18,891
State aid - formula grants	1,762,893	1,489,492	273,401
Grants and contributions, not restricted	14,975	-	14,975
Investment earnings	8,754	6,080	2,674
Miscellaneous	9,639	21,050	(11,411)
Total Revenues	<u>3,460,207</u>	<u>3,202,137</u>	<u>258,070</u>
<b>Expenses</b>			
Instruction	1,536,569	1,265,305	271,264
Library & instructional resources	37,883	36,390	1,493
Curriculum & staff development	8,972	8,153	819
School leadership	181,894	147,804	34,090
Guidance, counseling & evaluation	83,230	70,285	12,945
Health services	4,247	4,112	135
Student transportation	56,299	54,949	1,350
Food services	130,514	132,234	(1,720)
Extracurricular activities	105,751	87,074	18,677
General administration	265,230	260,056	5,174
Plant maintenance & operations	375,620	355,605	20,015
Security & monitoring services	2,879	7,919	(5,040)
Data processing services	50,810	52,707	(1,897)
Interest on long-term debt	45,578	48,505	(2,927)
Debt service fees	1,058	1,058	-
Payments to shared service arrangements	112,809	102,330	10,479
Payments to juvenile justice alternative ed programs	4,655	-	4,655
Other governmental charges	35,193	34,537	656
Total Expenses	<u>3,039,191</u>	<u>2,669,023</u>	<u>370,168</u>
Increase in net position	421,016	533,114	(112,098)
Net position, beginning of year	1,138,070	604,956	533,114
Net position, end of year	<u>\$ 1,559,086</u>	<u>\$ 1,138,070</u>	<u>\$ 421,016</u>

## THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet at Exhibit C-1 and the Statement of Revenues, Expenditures & Changes in Fund Balances at Exhibit C-2) reported a combined fund balance of \$2,095,600, which is an increase of \$456,502 from last year's total of \$1,639,098. The District's fund balance in the General Fund increased from \$1,473,323 to \$1,905,791, which is an increase of \$432,468.

The Debt Service fund balance of \$172,758 is restricted for use in paying general obligation bonds. The fund balances in "Other Funds" includes the Food Service fund balance of \$7,005, and the Campus Activity Funds fund balance of \$10,046; those fund balances will be used for future operations of those funds.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The Administration prepares the original budget and proposed amendments for the General Fund. State law requires that the Board of Trustees approve the original budget and any amendments for the General Fund budget at the function level for expenditures. The original and amended budgets are shown on Exhibit G-1.

The original adopted budget for the General Fund provided for a decrease in fund balance of \$43,349. Amendments during the year ending June 30, 2020 included an amendment early in the year to reflect updated budget amounts after updates to implement HB 3 passed by the State, which affected funding and salary and other expenditures, and an amendment at the end of the year to align the budget with anticipated actual expenditures. The final amended budget provided for an increase in fund balance of \$87,508. The actual increase in fund balance was \$432,468, for a favorable variance of \$344,960.

# Bynum Independent School District Management's Discussion and Analysis

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the District had \$2,328,332 (cost, net of depreciation) invested in a broad range of capital assets, including land, facilities and equipment for instruction, transportation, athletics, administration, and maintenance. During the year ended June 30, 2020, the District acquired \$87,211 in additional assets, including an intercom system and network hardware. Depreciation expense of \$120,732 was recorded for the year.

**Table III - Bynum Independent School District's Capital Assets**

	Historical Cost		Net of Depreciation	
	2020	2019	2020	2019
Land	\$ 825	\$ 825	\$ 825	\$ 825
Buildings & improvements	3,834,398	3,834,398	2,109,523	2,195,276
Furniture & equipment	650,234	563,023	217,984	165,752
<b>Total</b>	<b>\$ 4,485,457</b>	<b>\$ 4,398,246</b>	<b>\$ 2,328,332</b>	<b>\$ 2,361,853</b>

### Debt

The District has two general obligation tax refunding bonds outstanding, which were issued to pay off previous bonds and maintenance tax notes issued to finance buildings and facilities. The District made payments of \$118,000 during the fiscal year to retire the portion coming due and amortized \$9,504 of the premiums related to the issuance of the bonds.

In July 2017, the District issued a maintenance tax note in the amount of \$120,562 to fund the purchase of a school bus and replacements of air conditioners; \$15,132 of principal was paid during 2020 towards that note.

**Table IV - Bynum Independent School District's Long-term Debt**

	Beginning Balance	Issued (Repaid)	Ending Balance
Tax Refunding Bonds	\$ 1,563,000	\$ (118,000)	\$ 1,445,000
Tax Maintenance Note	90,176	(15,132)	75,044
Premium	47,213	(9,504)	37,709
<b>Total Debt</b>	<b>\$ 1,700,389</b>	<b>\$ (142,636)</b>	<b>\$ 1,557,753</b>

### Pension and OPEB Liabilities

The adoption of GASB Statements No. 68 and 71 in the fiscal year ending June 30, 2015, resulted in the District's reporting of its proportionate share of the net pension liabilities and deferred outflows and inflows of resources of the TRS pension plan and the recognition of pension expense in accordance with the provisions of those Statements. GASB Statement No. 75 was adopted in 2018, which required the District to report its proportionate share of the net OPEB liabilities and deferred outflows and inflows of resources of the TRS-Care retiree health benefit plan and the recognition of OPEB expense in accordance with the provisions of that Statement.

GASB requirements allow for reporting of pension and OPEB obligations for plan years earlier than the entity's fiscal year to allow time required to complete audits and actuarial projections. The net pension and OPEB liabilities, and related deferred outflows and inflows, reported in the District's statement of net position as of June 30, 2020 are based on the TRS and TRS-Care plan years ended August 31, 2019.

A summary of pension and OPEB-related items in the Statement of Net Position is as follows:

# Bynum Independent School District Management's Discussion and Analysis

**Table V - Bynum Independent School District's Pension and OPEB Liabilities**

	Pension		OPEB	
	2020	2019	2020	2019
Deferred Outflow s	\$ 325,616	\$ 321,885	\$ 430,187	\$ 162,761
Deferred Inflow s	(110,636)	(50,067)	(423,051)	(259,526)
Net Pension/OPEB Liability	(590,092)	(553,946)	(977,842)	(820,701)
Increase (Decrease) to Net Position	\$ (375,112)	\$ (282,128)	\$ (970,706)	\$ (917,466)

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Management recommended and the Board adopted a balanced budget for 2020-21 that provides for revenues and expenditures, including transfers to the Food Service Fund, of \$2,913,082.

A substantial amount of the District's funding comes from state aid formula grants and property taxes. The formula used by the state ties state aid revenues to the amount of property tax revenues generated per student in order to equalize funding for property-poor districts. In general, state aid is reduced as property revenues rise, and vice versa. The overall result is that total revenues from state aid and property taxes are highly dependent on numbers of students attending school.

Student enrollment is measured by the number of students registered to attend a district. "Refined average daily attendance (ADA)" reflects the numbers of students attending school on a daily basis, and "weighted average daily attendance (WADA)" reflects the overall adjustments for student populations that generate additional funding. Refined ADA and WADA are key factors in determining the total revenues from property taxes and state aid.

District student data for past years was as follows:

**Table VI - Bynum Independent School District's Student Data**

	2015-16	2016-17	2017-18	2018-19	2019-20
Enrollment	212	179	179	207	204
Refined ADA	199	170	174	195	191
WADA	354	317	322	382	383

Management is not able to predict future growth or decline in students, which will affect revenues, but it anticipates stable or slight growth for future years.

Property values have increased over recent years and are expected to continue to increase at similar rates. Values for the current year levy increased approximately 8% over the prior year and the values for the fiscal year 2021 increased approximately 10%. Separate tax rates are adopted for Maintenance and Operations (M & O) and for Debt Service. The rates stated are per \$100 of value. House Bill 3 (HB 3) was passed by the 86th Texas Legislature in 2019. HB 3 enacted significant changes in several areas, including overall funding and funding for specific student populations, required raises for teachers, and teacher training and incentive programs. HB 3 contained substantial changes to funding, but was intended to increase the overall funding of districts. There was also a provision that required districts to reduce the M&O rate in return for the additional state funding. The tax rate for M & O for fiscal year 2020 was \$1.0683 compared to the prior year tax rate of \$1.17. The proposed rate for fiscal year 2021 is \$1.0494. The Debt Service rate was \$0.1659, compared to \$0.1587 for the prior year, and a proposed rate for fiscal year 2021 of \$0.1572.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Office, Mr. Larry Mynarcik, Superintendent, at P. O. Box 68, Bynum, Texas 76631.

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## **Basic Financial Statements**

**Bynum Independent School District**  
**Statement of Net Position**  
**June 30, 2020**

**Exhibit A-1**

Data Control Codes	Primary Government  1 Governmental Activities
<b>ASSETS</b>	
1110 Cash & Temporary Investments	\$ 1,790,980
1220 Delinquent Property Taxes Receivable	83,532
1230 Allowance for Uncollectable Taxes	(20,883)
1240 Due from Other Governments	488,376
1260 Due from Fiduciary Funds	500
1290 Other Receivables	25
1410 Deferred Expenses	565
Capital Assets:	
1510 Land	825
1520 Buildings & Improvements, Net	2,109,523
1530 Furniture & Equipment, Net	217,984
1000 Total Assets	<u>4,671,427</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflows Related to TRS Pension Plan	325,616
1706 Deferred Outflows - Other Postemployment Benefits (OPEB)	430,187
1700 Total Deferred Outflows	<u>755,803</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	16,010
2160 Accrued Wages Payable	154,360
2200 Accrued Expenses	38,400
Noncurrent Liabilities:	
2501 Debt - Due within One Year	135,582
2502 Debt - Due in More Than One Year	1,422,171
2540 Net TRS Pension Plan Liability	590,092
2545 Net TRS Other Postemployment Benefits (OPEB) Liability	977,842
2000 Total Liabilities	<u>3,334,457</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflows Related to TRS Pension Plan	110,636
2606 Deferred Inflows Related to Other Postemployment Benefits (OPEB)	423,051
2600 Total Deferred Inflows	<u>533,687</u>
<b>NET POSITION</b>	
3200 Invested in Capital Assets, Net of Related Debt	770,579
Restricted for:	
3820 Federal and State Programs	7,005
3850 Debt Service	160,214
3900 Unrestricted	621,288
3000 Total Net Position	<u>\$ 1,559,086</u>

The accompanying notes are an integral part of these financial statements.



**Bynum Independent School District**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

**Exhibit B-1**

Data Control Codes	1	Program Revenues		Net (Expense) Revenue & Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants & Contributions	Primary Governmental Activities	
<b>Primary government:</b>					
<b>Governmental Activities:</b>					
11	Instruction	\$ 1,536,569	\$ 2,820	\$ 237,288	\$ (1,296,461)
12	Library & Instructional Resources	37,883	-	2,372	(35,511)
13	Curriculum & Staff Development	8,972	-	783	(8,189)
23	School Leadership	181,894	-	14,337	(167,557)
31	Guidance, Counseling & Evaluation	83,230	-	6,338	(76,892)
33	Health Services	4,247	-	-	(4,247)
34	Student Transportation	56,299	-	1,249	(55,050)
35	Food Services	130,514	6,983	95,836	(27,695)
36	Extracurricular Activities	105,751	9,248	4,306	(92,197)
41	General Administration	265,230	-	20,178	(245,052)
51	Plant Maintenance & Operations	375,620	-	10,885	(364,735)
52	Security & Monitoring Services	2,879	-	-	(2,879)
53	Data Processing Services	50,810	-	25,409	(25,401)
72	Interest on Long-Term Debt	45,578	-	37,004	(8,574)
73	Debt Service Fees	1,058	-	-	(1,058)
93	Payments to Shared Services Arrangements	112,809	-	-	(112,809)
95	Payments to Juvenile Justice Alternative Ed Programs	4,655	-	-	(4,655)
99	Other Governmental Charges	35,193	-	-	(35,193)
TP	Total Primary Government	<u>\$ 3,039,191</u>	<u>\$ 19,051</u>	<u>\$ 455,985</u>	<u>(2,564,155)</u>
<b>General Revenues:</b>					
MT	Property Taxes Levied for General Purposes				1,029,257
DT	Property Taxes Levied for Debt Service				159,653
SF	State Aid - Formula Grants				1,762,893
GC	Grants and Contributions, not Restricted				14,975
IE	Investment Earnings				8,754
MI	Miscellaneous				9,639
TR	Total General Revenues				<u>2,985,171</u>
CN	Change in Net Position				421,016
NB	Net Position, Beginning				1,138,070
NE	Net Position, Ending				<u>\$ 1,559,086</u>

The accompanying notes are an integral part of these financial statements.

**Bynum Independent School District  
Balance Sheet  
Governmental Funds  
June 30, 2020**

**Exhibit C-1**

Data Control Codes	10	50	98		
	General Fund	Debt Service Fund	Other Funds	Total Governmental Funds	
<b>ASSETS</b>					
1110	Cash & Temporary Investments	\$ 1,583,235	\$ 168,061	\$ 25,139	\$ 1,776,435
1220	Delinquent Property Taxes Receivable	73,232	10,300	-	83,532
1230	Allowance for Uncollectable Taxes	(18,308)	(2,575)	-	(20,883)
1240	Due from Other Governments	441,665	3,509	43,202	488,376
1260	Due from Other Funds	34,793	-	-	34,793
1290	Other Receivables	25	-	-	25
1410	Deferred Expenditures	565	-	-	565
1000	Total Assets	\$ 2,115,207	\$ 179,295	\$ 68,341	\$ 2,362,843
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ 16,010	\$ -	\$ -	\$ 16,010
2160	Accrued Wages Payable	138,948	-	15,412	154,360
2170	Due to Other Funds	-	-	34,293	34,293
2200	Accrued Expenditures	7,292	-	1,585	8,877
2000	Total Liabilities	162,250	-	51,290	213,540
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2600	Unavailable Property Taxes Revenues	47,166	6,537	-	53,703
<b>FUND BALANCES</b>					
<b>Nonspendable:</b>					
3430	Prepaid Items	565	-	-	565
<b>Restricted:</b>					
3450	Grant Funds	-	-	7,005	7,005
3480	Debt Service	-	172,758	-	172,758
<b>Committed:</b>					
3545	Other	-	-	10,046	10,046
3600	<b>Unassigned</b>	1,905,226	-	-	1,905,226
3000	Total Fund Balances	1,905,791	172,758	17,051	2,095,600
4000	Total Liabilities, Deferred Inflows and Fund Balances	\$ 2,115,207	\$ 179,295	\$ 68,341	\$ 2,362,843

The accompanying notes are an integral part of these financial statements.

**Bynum Independent School District**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**June 30, 2020**

Exhibit C-1R

Amounts reported as Total Fund Balances in the Governmental Funds Balances Sheet (Exhibit C-1) above is different from Total Net Position reported in the government-wide Statement of Net Position (Exhibit A-1) because of the following:

Data Control Codes			
	Total Fund Balances - Governmental Funds (Exhibit C-1)	\$	2,095,600
1	An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		4,103
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements. Capital assets of \$4,485,457, net of accumulated depreciation of \$2,157,125, are reported in the government-wide financial statements.		2,328,332
3	Long-term debt, including premium on issuance of bonds, is not due and payable in the current period and is not reported in the fund financial statements.		(1,557,753)
4	Accrued interest expense is not due and payable in the current period and is not reported as a liability in the governmental funds financial statements.		(19,081)
5	Property tax revenue deferred in governmental fund statements is recognized in the period received in government-wide financial statements.		53,703
6	Deferred outflows for pension and other post employment benefits are included in the statement of net position and are not reported in the funds because they are not current financial resources available to pay for current expenditures.		755,803
7	Long-term liabilities related to the TRS pension plan and other post employment benefits are not due and payable in the current period and are not reported in the fund financial statements, but are reported as liabilities in the government-wide financial statements.		(1,567,934)
8	Deferred inflows for pension and other post employment benefits are included in the statement of net position and are not reported in the funds because they are not current financial resources available to pay for current expenditures.		(533,687)
19	Total Net Position - Governmental Activities (Exhibit A-1)	\$	1,559,086

The accompanying notes are an integral part of these financial statements.

**Bynum Independent School District**  
**Statement of Revenues, Expenditures & Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

Exhibit C-2

Data Control Codes		10	50		98
		General Fund	Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 1,062,615	\$ 159,202	\$ 16,384	\$ 1,238,201
5800	State Program Revenues	1,886,078	37,004	31,877	1,954,959
5900	Federal Program Revenues	28,187	-	161,244	189,431
5020	Total Revenues	2,976,880	196,206	209,505	3,382,591
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	1,196,821	-	108,830	1,305,651
0012	Library & Instructional Resources	33,989	-	1,852	35,841
0013	Curriculum & Staff Development	8,144	-	-	8,144
0023	School Leadership	166,663	-	-	166,663
0031	Guidance, Counseling & Evaluation	76,919	-	-	76,919
0033	Health Services	4,247	-	-	4,247
0034	Student Transportation	60,578	-	-	60,578
0035	Food Services	-	-	115,906	115,906
0036	Extracurricular Activities	91,010	-	2,835	93,845
0041	General Administration	234,056	-	690	234,746
0051	Plant Maintenance & Operations	361,587	-	-	361,587
0052	Security & Monitoring Services	2,879	-	-	2,879
0053	Data Processing Services	115,841	-	-	115,841
Debt Service:					
0071	Principal on Long-Term Debt	15,132	118,000	-	133,132
0072	Interest on Long-Term Debt	2,889	53,506	-	56,395
0073	Debt Service Fees	-	1,058	-	1,058
Intergovernmental:					
0093	Payments Related To Shared Services Arrangements	112,809	-	-	112,809
0095	Payments to Juvenile Justice Alternative Ed Programs	4,655	-	-	4,655
0099	Other Intergovernmental Charges	35,193	-	-	35,193
6030	Total Expenditures	2,523,412	172,564	230,113	2,926,089
1100	Excess (Deficiency) of Revenues over Expenditures	453,468	23,642	(20,608)	456,502
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers In	-	-	21,000	21,000
8911	Transfers Out	(21,000)	-	-	(21,000)
7080	Total Other Financing Sources and (Uses)	(21,000)	-	21,000	-
1200	Net Change in Fund Balance	432,468	23,642	392	456,502
0100	Fund Balances, Beginning	1,473,323	149,116	16,659	1,639,098
3000	Fund Balances, Ending	\$ 1,905,791	\$ 172,758	\$ 17,051	\$ 2,095,600

The accompanying notes are an integral part of these financial statements.

**Bynum Independent School District  
 Reconciliation of Statement of Revenues, Expenditures &  
 Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Year Ended June 30, 2020**

**Exhibit C-3**

Net change in fund balances - total governmental funds (from Exhibit C-2)	\$ 456,502
<p>Amounts reported for governmental activities in the statement of activities (Exhibit B-1) are different because:</p>	
An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements.	1
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense. These are the amounts by which capital outlays expenditures are adjusted to depreciation expense:</p>	
Depreciation expense in the statement of activities	(120,732)
Capital expenditures in the fund financial statements that are capitalized in the statement of activities	87,211
<p>Governmental funds report debt issued as a resource and principal payments as expenditures; interest expense is not accrued. However, in the statement of activities debt issued is recorded as a liability, the payment of principal is used to reduce liabilities, and interest expense is accrued. Adjustments related to debt are:</p>	
Principal payments on debt	133,132
Amortization of premium	9,504
Decrease in accrued interest expense	1,312
<p>Governmental funds report property tax receivables (net of allowance) as deferred inflows if they are not received in time to be considered expendable to pay current obligations. However, in the statement of activities such items are recognized as revenues.</p>	
Decrease in uncollected property taxes (net of the allowance)	310
<p>The change in net pension liability and net OPEB liability, and the related deferred outflows and deferred inflows, are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The net change consists of the following:</p>	
Pension-related:	
Deferred outflows increased (decreased)	3,731
Deferred inflows (increased) decreased	(60,569)
Net pension liability (increased) decreased	(36,146)
OPEB-related:	
Deferred outflows increased (decreased)	267,426
Deferred inflows (increased) decreased	(163,525)
Net OPEB liability (increased) decreased	(157,141)
Change in net position of governmental activities (see Exhibit B-1)	<u>\$ 421,016</u>

The accompanying notes are an integral part of these financial statements.

**Bynum Independent School District**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2020**

Exhibit D-1

Data Control Codes	Governmental Activities -  Internal Service Fund
<b>ASSETS</b>	
Current Assets:	
1110      Cash & Temporary Investments	\$                    14,545
1000    Total Assets	<u>\$                    14,545</u>
<b>LIABILITIES</b>	
Current Liabilities:	
2200      Accrued Expenses	\$                    10,442
2000    Total Liabilities	<u>\$                    10,442</u>
<b>NET POSITION</b>	
3900      Unrestricted	<u>4,103</u>
3000    Total Net Position	<u>\$                    4,103</u>

The accompanying notes are an integral part of these financial statements.

**Bynum Independent School District**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

Exhibit D-2

Data Control Codes	Governmental Activities - Internal Service Fund
<b>OPERATING REVENUES</b>	
5754 Workers Compensation Services Provided	\$ 7,345
5020 Total Operating Revenues	<u>7,345</u>
<b>OPERATING EXPENSES</b>	
6400 Other Operating Costs	<u>7,344</u>
6030 Total Operating Expenses	<u>7,344</u>
1300 Change in Net Position	<u>1</u>
0100 Net Position - Beginning	<u>4,102</u>
3300 Net Position - Ending	<u>\$ 4,103</u>

The accompanying notes are an integral part of these financial statements.

**Bynum Independent School District  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2020**

**Exhibit D-3**

	<b>Governmental Activities - Internal Service Fund</b>	
<b>Cash Flows from Operating Activities:</b>		
Cash Receipts for Quasi-external Operating Transactions with Other Funds	\$	6,125
Cash Payments for Claims		(1,918)
Cash Payments for Administration		<u>(7,344)</u>
Net Cash Provided (Used) by Operating Activities		<u>(3,137)</u>
Net Increase (Decrease) in Cash & Cash Equivalents		(3,137)
Cash and Cash Equivalents at Beginning of Year		<u>17,682</u>
Cash and Cash Equivalents at End of Year	\$	<u><u>14,545</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
Operating Income (Loss)	\$	1
Change in Assets and Liabilities:		
Increase (Decrease) in Accrued Expenses		<u>(3,138)</u>
Net Cash Provided (Used) by Operating Activities	\$	<u><u>(3,137)</u></u>

The accompanying notes are an integral part of these financial statements.



**Bynum Independent School District  
Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
June 30, 2020**

**Exhibit E-1**

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	<b>Agency Fund</b>
<b>ASSETS</b>	
Cash & Temporary Investments	\$ 12,583
Total Assets	<u>\$ 12,583</u>
<b>LIABILITIES</b>	
Due to Other Funds	\$ 500
Due to Student Groups	12,083
Total Liabilities	<u>\$ 12,583</u>

The accompanying notes are an integral part of these financial statements.

# **Bynum Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended June 30, 2020**

#### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of Bynum Independent School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

##### **A. Reporting Entity**

The District is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District, that has the exclusive power and duty to govern and oversee the management of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and, have the primary accountability for fiscal matters; the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

##### **B. Government-Wide and Fund Financial Statements**

The Statement of Net Position and the Statement of Activities are *government-wide* financial statements. They report information on all of the District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include entry fees paid by those attending athletic events and school lunch charges. The "operating grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include federal and state grants and contributions from other entities for specific purposes. If revenue is not program revenue, it is general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated in the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from in the government-wide Statement of Activities.

The "fund financial statements" provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

##### **C. Measurement Focus, Basis of Accounting, And Financial Statement Presentation**

###### **Government-wide, Proprietary and Fiduciary Fund Financial Statements**

These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which

# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The *internal service fund (a proprietary fund type)* is used to account for the operations of the District's self-insurance fund. Internal service funds inherently create redundancy because their expenses are recorded a second time in the funds that are billed for the services they provide. Therefore, on the government-wide statements, the operations of the internal service fund are consolidated.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are workers compensation insurance premiums. Operating expenses for the internal service fund include the cost of re-insurance, claims and claims administration. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The fiduciary fund financial statement reflects the District's agency fund, reporting only assets and liabilities, and does not have a measurement focus. Because the assets are held in a trustee or agent capacity and are therefore not available to support District programs, this fund is not included in government-wide statements.

#### **Governmental Fund Financial Statements**

These financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue under the susceptible-to-accrual concept when those criteria are met; otherwise, they are recorded as revenue when received in cash. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are generally considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors require the District to refund all or part of the unused amount. If there are no restrictions on the time required to spend grant funds, and the District expects to spend all funds, grant revenues are considered earned when received.

## **I. Fund Financial Accounting**

The District reports the following major governmental funds:

**General Fund** – The General Fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**Debt Service Fund** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

Additionally, the District reports the following fund types:

#### Governmental Funds

**Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance are accounted for in a Special Revenue Fund, and it includes local grants and campus activity funds. Generally, unused balances must be returned to the grantor at the close of specified project periods, but some balances, such as in the Food Service Fund and Campus Activity Fund, are rolled over until the following year.

#### Proprietary Funds

**Internal Service Fund** - The internal service fund accounts for risk management services claims for workers' compensation claims and administrative expenses provided to other departments or agencies of the District.

#### Fiduciary Funds

**Agency Fund** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's agency fund is the student activity fund.

## II. Other Accounting Policies

### Cash and Cash Equivalents

District's cash and cash equivalents are considered to be cash on hand, bank demand deposits and time deposits and investments with original maturities of three months or less from the date of acquisition.

### Property Tax Revenues and Receivables

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables are based on current probability of payment, collateral values, and historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Tax revenues and receivables are allocated between the General Fund and the Debt Service Fund based on the respective tax rates adopted for each fund.

### Inventories

The District records purchases of supplies and commodities as expenditures and does not maintain any significant amount of either on hand. Supplies are used for almost all functions of activity.

### Interfund Transactions

During the course of normal operations, it is necessary for the District to enter into transactions among its various funds. These transactions consist of one or more of the following types:

- Reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund.
- Transfers of equity balances from one fund to another fund.

# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

- Charges from the internal service fund to other funds, which are based on the cost of the service provided.
- Temporary loans to provide funding, primarily due to payroll or other expenditures made from one fund and charged to other funds or expenditures from grant funds prior to the receipt of funds from the granting agency.

Reimbursements and loans are reported as “due from other funds” or “due to other funds” until such time as the reimbursement or loan is paid. Interfund balances are expected to be repaid within the next fiscal year. Interfund transactions are eliminated in consolidation for purposes of the government-wide financial statements.

#### **Capital Assets**

Capital assets include land, buildings, vehicles, furniture and equipment, and are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Purchased or constructed assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 - 50
Building improvements	10 - 40
Buses and vehicles	5 - 10
Furniture & equipment	5 - 20

#### **Compensated Absences**

The State of Texas requires districts to provide each employee five days of personal leave per year with no limit on accumulation. Unused personal leave is transferable to other districts in Texas with the employee but does not vest and is not paid to the employee upon separation. Accordingly, no liability is recorded by the District for unused state personal leave. The District provides an additional two days of leave. Unused local days do not accumulate and the average cost of a substitute is deducted from the employee’s pay when the leave is taken.

A small number of employees can accumulate vacation days, but those days are generally taken within the year earned. No liability is accrued for vacation leave because the amounts involved are not material.

#### **Long-term Debt Obligations**

The District’s long-term debt obligations consist of general obligation refunding bonds and a tax maintenance note. Long-term debt is reported as liabilities in the government-wide financial statements. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Costs of issuance are recognized as expenses in the year incurred.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

General obligation bonds, and related refunding bonds, are authorized by the voters of the District and are secured by a pledge of debt service property tax revenues. The current requirements for general obligation refunding bonds principal and interest expenditures are accounted for in the Debt Service Fund. Tax maintenance notes are authorized by State law for specific purposes and are authorized by the Board of Trustees; they are secured by the pledge of a maintenance tax. The current requirements for tax maintenance note principal and interest expenditures are accounted for in the General Fund.

# **Bynum Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended June 30, 2020**

#### **Deferred Outflows/Inflows of Resources**

A deferred outflow of resources represents a consumption of net assets that applies to a future period or periods and will be recognized as an outflow of resources (expense or expenditure) during those periods. The District has deferred outflows from pension and other postemployment benefit activities which are applicable to the government-wide financial statements. Contributions by the District for pension and other postemployment benefits that are made in the current fiscal year are deferred until the following year in order to align with the TRS pension and the TRS-Care retiree group health insurance plan years. Deferred outflows also arise out of the pension and benefit plan reporting which are amortized over the weighted average remaining service life of all participants in the respective qualified pension and benefit plan, or, in the case of projected and actual earnings differences on investments, are amortized on a closed basis over a 5-year period.

A deferred inflow of resources represents an acquisition of net assets that applies to a future period or periods and will be recognized as an inflow of resources (revenue) during those periods. The District has two types of items reported as deferred inflows.

Deferred inflows arise from the pension and other postemployment benefit activities which are applicable to the government-wide financial statements. Those deferred inflows are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan, or, in the case of projected and actual earnings differences on investments, are amortized on a closed basis over a 5-year period.

Deferred inflows also arise as a result of property taxes, net of the allowance, which are not considered available for expenditures. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available and are reported only in the governmental funds balance sheet.

#### **TRS Pension Plan**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

In fund financial statements, pensions are recognized and disclosed using the modified accrual basis of accounting and expenditures are recognized for current obligations.

#### **TRS Other Postemployment Benefits (OPEB)**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to or deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

In fund financial statements, other postemployment benefits are recognized and disclosed using the modified accrual basis of accounting and expenditures are recognized for current obligations.

#### **Fund Balances – Governmental Funds**

Fund balance is reported in the governmental fund balance sheets in the following classifications based on the nature of any limitations requiring the use of resources for specific purposes:

**Nonspendable** – Represents amounts that are not in a spendable form, such as inventory or prepaid items, or is required to be maintained intact, such as the principal of a permanent fund.

# **Bynum Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended June 30, 2020**

**Restricted** – Represents amounts that are subject to constraints that are imposed by external parties, such as by creditors, grantors, contributors, or laws or regulations of other governments. The fund balances for the Child Nutrition program and similar unspent grant programs, and the Debt Service Fund, are classified as restricted.

**Committed** – Represents amounts that can only be used for specific purposes determined by formal action of the Board. These amounts may not be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it used to commit the amounts. The fund balance in Campus Activity Funds is classified as committed.

**Assigned** – Represents amounts that the District intends to use for a specific purpose but do not meet the criteria for either restricted or committed. The assigned amounts for a specific purpose may be determined by either the Board or the Superintendent. The District did not have any assigned fund balances at the end of this fiscal year.

**Unassigned** – Represents the residual classification for the General Fund balance, including amounts that are not contained in the other classifications. Unassigned amounts are the portion of fund balance that is not obligated or specifically designated and is available for any purpose. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

#### **Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources and a flow assumption must be made about the order in which the resources are considered to be applied. For the fund financial statements, it is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. When the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last. For the government-wide financial statements, it is the District's policy to consider restricted net position to have been depleted before using unrestricted net position.

#### **Non-monetary Transactions**

Food commodities received from the Texas Department of Human Services are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as revenue and expenditures when received.

Textbooks and instructional materials received from the State of Texas are recorded in the Instructional Materials Allotment Fund. The textbooks and materials are valued at a cost value assigned by the State and recorded as revenue and expenditures when received.

#### **Use of Estimates**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

#### **Data Control Codes**

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**NOTE 2 – COMPLIANCE AND ACCOUNTABILITY**

State law requires the Board to adopt budgets at the function level for the General Fund, Food Service Fund, and Debt Service Fund, and that the Board approves amendments at that level prior to expenditures exceeding the budget. The District had no expenditures exceeding budget at the function level in those funds.

The District was substantially in compliance with all finance-related legal or contractual provisions and there were no funds with a deficit fund balance or deficit fund net position.

**NOTE 3 – DEPOSITS AND INVESTMENTS**

The carrying value of cash and cash equivalents and investments at June 30, 2020, was:

	Governmental Funds	Proprietary Funds	Fiduciary Funds	Total
Cash in Bank	\$ 1,243,686	\$ 14,545	\$ 12,583	\$ 1,270,814
TexPool	532,749	-	-	532,749
<b>Total</b>	<b>\$ 1,776,435</b>	<b>\$ 14,545</b>	<b>\$ 12,583</b>	<b>\$ 1,803,563</b>

Cash in bank consists of interest-bearing checking accounts and money market accounts subject to immediate withdrawal. TexPool funds are available to the District within one day. TexPool carries a Standard & Poor’s rating of AAAM and had a weighted average maturity at June 30, 2020 of 33 days.

**Bank Depository Accounts**

The funds of the District must by state law be deposited and invested under the terms of a contract, the contents of which are set out in the Depository Contract Law. The funds must be secured by pledged securities or a surety bond. Pledged securities must meet the requirements of the law, must have a market value of at least the amount of funds secured, less any applicable Federal Deposit Insurance Corporation insurance, and must be held in safekeeping by an independent trustee showing the District as pledgee. The surety bond agreement must be in a form required by state law in an amount equal to or greater than the amount of funds secured, less any applicable Federal Deposit Insurance Corporation insurance, and must be payable to the District and signed by the depository bank and by a surety company authorized to do business in Texas.

At June 30, 2020, the carrying amount of the District’s deposits at its depository bank (interest-bearing checking and money market accounts) was \$1,270,814, and the bank balance was \$1,298,373; the market value of pledged collateral was \$960,895 and FDIC insurance was \$542,824. The District’s cash deposits at June 30, 2020, and during the year ended June 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name. Wells Fargo, Hillsboro, Texas, is the District’s depository bank.

**Investments**

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity; (2) portfolio diversification; (3) allowable investments; (4) acceptable risk levels; (5) expected rates of return; (6) maximum allowable stated maturity of portfolio investments; (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio; (8) investment staff quality and capabilities; and, (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in: (1) obligations of the U.S. Treasury, certain U.S. agencies, the State of Texas, and certain other political entities; (2) certificates of deposit; (3) fully collateralized repurchase agreements; (4) a fully collateralized securities lending program; (5) bankers acceptances; (6) commercial paper with a stated maturity less than 270 days; (7) certain types of no-load money market mutual funds; (8) certain types of no-load mutual funds; (9) guaranteed investment contracts; and, (10) investment pools. Local policy further limits investments management can make without board approval to maturities of one year or less.



# **Bynum Independent School District**

## **Notes to the Financial Statements**

### **For the Year Ended June 30, 2020**

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District was in substantial compliance with the requirement of the Act and with local policies as of and for the year ending June 30, 2020.

Generally accepted accounting principles requires investments to be presented at fair value, with an exception for investment pools, and it establishes a value hierarchy within which entities must categorize its fair value measurements. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and, Level 3 inputs are significant unobservable inputs.

Investments held by investment pools that meet certain criteria may be measured at amortized cost, and investments in that pool are measured at the net asset value per share determined by the pool as provided by generally accepted accounting principles. The District's investments are in investment pools and are measured at amortized cost and are not required to be categorized in the fair value hierarchy.

#### **Public Funds Investment Pools**

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

#### **Analysis of Specific Deposit and Investment Risks**

Deposits and investments may be subject to various risks.

**Custodial Credit Risk** – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. The District was not exposed to custodial credit risk at June 30, 2020, as disclosed above, because collateral pledged for District deposits were sufficient to cover bank balances and collateral was held by a third party in the District's name. Investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Investments are subject to the following risks:

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to a deposit or investment will not fulfill its obligations. At year end, the District's was not exposed to significant credit risk because investments were limited to TexPool, which carries a credit rating by Standard & Poor's of AAAM, and is considered secure. State law limits investments of local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO).

**Market Risk** – Market risk is the risk that the market value of an investment, collateral protecting a deposit, or securities underlying a repurchase agreement will decline. Market risk is affected by the length to maturity of a security, the need to liquidate a security before maturity, the extent that collateral exceeds the amount invested, and the frequency with which the amount of collateral is adjusted for changes in market values. At year end, the District's was not exposed to significant market risk because investments were limited to TexPool and underlying securities in that pool have short maturities and limited exposure to market risk. At June 30, 2020, TexPool had a weighted average maturity of 33 days.

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. The District has no exposure to interest rate risks on depository accounts and no significant exposure to interest rate risk in TexPool due to the short average maturity of underlying investments.

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**NOTE 4 – RECEIVABLE AND PAYABLE BALANCES**

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. The following information is to provide a further understanding of the balances.

**Property Taxes**

Based on historical activity and management’s evaluation of current balances, approximately 50% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

**Due from/to Other Governments**

The District receives entitlements from the State through the School Foundation and Per Capita Programs. The District also participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. Amounts due from other governments at June 30, 2020, were as follows:

	General Fund	Debt Service Fund	Special Revenue Funds	Total
Due from Other Governments:				
State Aid	\$ 419,070	\$ -	\$ -	\$ 419,070
State & Federal Grant Funds Due from TEA	-	-	43,202	43,202
Property Taxes from County Appraisal District	22,595	3,509	-	26,104
Total	<u>\$ 441,665</u>	<u>\$ 3,509</u>	<u>\$ 43,202</u>	<u>\$ 488,376</u>

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, and other regularly occurring charges that are paid by the General Fund and then charged back to the appropriate fund. Interfund balances at June 30, 2020, consisted of the following individual fund balances:

Fund	Due from Other Funds	Due to Other Funds
General Fund:		
Special Revenue Funds	\$ 34,293	\$ -
Agency Fund	500	-
Special Revenue Funds:		
General Fund	-	34,293
Agency Fund:		
General Fund	-	500
	<u>\$ 34,793</u>	<u>\$ 34,793</u>

Interfund transfers for the year ended June 30, 2020, consisted of a transfer from the General Fund to the Food Service Fund of \$21,000 for the purpose of funding deficit food service operations.

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**NOTE 6 – CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the period ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Retirements & Removals	Ending Balance
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 825	\$ -	\$ -	\$ 825
Total Capital Assets Not Being Depreciated	825	-	-	825
Capital Assets Being Depreciated				
Buildings & Improvements	3,834,398	-	-	3,834,398
Furniture & Equipment	563,023	87,211	-	650,234
Total Capital Assets Being Depreciated	4,397,421	87,211	-	4,484,632
Accumulated Depreciation:				
Buildings & Improvements	(1,639,122)	(85,753)	-	(1,724,875)
Furniture & Equipment	(397,271)	(34,979)	-	(432,250)
Total Accumulated Depreciation	(2,036,393)	(120,732)	-	(2,157,125)
Total Capital Assets Being Depreciated, Net	2,361,028	(33,521)	-	2,327,507
Governmental Activities Capital Assets, Net	\$ 2,361,853	\$ (33,521)	\$ -	\$ 2,328,332

Depreciation expense was charged to governmental functions as follows:

11 Instruction	\$ 91,217
23 School Leadership	665
34 Student Transportation	4,640
36 Extracurricular Activities	7,134
41 General Administration	259
51 Plant Maintenance & Operations	13,392
53 Data Processing	3,425
	<u>\$ 120,732</u>

**NOTE 7 – LONG-TERM DEBT**

Long-term debt obligations consisted of tax refunding bonds and a tax maintenance note. Changes in long-term debt obligations for the year ended June 30, 2020, were as follows:

	Beginning Balance	Issued, Additions	Retired, Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Tax Refunding Bonds	\$ 1,563,000	\$ -	\$ 118,000	\$ 1,445,000	\$ 120,000
Tax Maintenance Note	90,176	-	15,132	75,044	15,582
Premium	47,213	-	9,504	37,709	-
Total Debt	\$ 1,700,389	\$ -	\$ 142,636	\$ 1,557,753	\$ 135,582

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

Unlimited tax refunding bond activity for the year ending June 30, 2020, was as follows:

Description	Interest Rate	Amount of Original Issue	Beginning Balance	Issued, Additions	Retired, Decreases	Ending Balance	Due Within One Year
Unlimited Tax Refunding Bonds, Series 2012	2% - 4%	\$ 1,075,000	\$ 695,000	\$ -	\$ 70,000	\$ 625,000	\$ 70,000
Unlimited Tax Refunding Bonds, Series 2012B	3.65%	1,125,000	868,000	-	48,000	820,000	50,000
			<u>\$ 1,563,000</u>	<u>\$ -</u>	<u>\$ 118,000</u>	<u>\$ 1,445,000</u>	<u>\$ 120,000</u>

The Series 2012 Bonds were issued January 5, 2012, for the purpose of refunding the Unlimited Tax School Building Bonds, Series 2002. The Series 2012B Bonds were issued July 10, 2012, for the purpose of refunding the Series 2010 Maintenance Tax Note.

The tax refunding bonds are general obligation bonds. They are direct obligations of the District, secured by a pledge of the full faith and credit of the District, and a pledge of property tax revenues sufficient to pay debt obligations. The bonds are paid for entirely through the Debt Service Fund.

**Tax Maintenance Note**

Tax maintenance note activity for the year ending June 30, 2020, was as follows:

Description	Interest Rate	Amount of Original Issue	Beginning Balance	Issued, Additions	Retired, Decreases	Ending Balance	Due Within One Year
Tax Maintenance Note, 2017	3.25%	\$ 120,562	\$ 90,176	\$ -	\$ 15,132	\$ 75,044	\$ 15,582
			<u>\$ 90,176</u>	<u>\$ -</u>	<u>\$ 15,132</u>	<u>\$ 75,044</u>	<u>\$ 15,582</u>

The tax maintenance note was issued July 24, 2017, for the purpose of funding facility improvements and the purchase of a bus. It is secured by a pledge of local maintenance taxes and is paid for entirely through the General Fund.

**Debt Requirements to Maturity**

The required debt payments to maturity are as follows:

Year Ending June 30,	Tax Refunding Bonds			Tax Maintenance Notes		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 120,000	\$ 49,968	\$ 169,968	\$ 15,582	\$ 2,439	\$ 18,021
2022	122,000	46,357	168,357	16,088	1,933	18,021
2023	129,000	42,322	171,322	8,164	1,410	9,574
2024	131,000	38,064	169,064	8,429	1,144	9,573
2025	138,000	33,734	171,734	8,703	870	9,573
2026-2030	580,000	92,398	672,398	18,078	883	18,961
2031-2033	225,000	12,538	237,538			
Totals	<u>\$ 1,445,000</u>	<u>\$ 315,381</u>	<u>\$ 1,760,381</u>	<u>\$ 75,044</u>	<u>\$ 8,679</u>	<u>\$ 83,723</u>

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

**A. Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code.

# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

#### B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx), under "Financial Reports;" by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592

#### C. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 multiplier times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic cost of living adjustments. Ad hoc postemployment benefit changes, including ad hoc cost of living adjustments, can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May, 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

#### D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402.

Contribution rates are as follows:

	<u>2019</u>	<u>2020</u>
Member (Employee)	7.7%	7.7%
District (Employer)	6.8%	7.5%
Non-Employer Contributing Entity (State)	6.8%	7.5%

Contribution amounts for the fiscal year ending June 30, 2020 were as follows:

# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

Member (Employee)	\$117,815
District (Employer)	\$40,155
Non-Employer Contributing Entity (State)	\$98,493

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Public schools as employers are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code;
- During a new member's first 90 days of employment; and,
- When any part or all of an employee's salary is paid by federal funding source, a privately sponsored source from non-educational and general, or local funds.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non (OASDI) surcharge that was in effect in fiscal year 2019.

There are two additional surcharges an employer is subject to:

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge; and,
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, the district must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

#### E. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018, rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2018*	2.63% Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last Year Ending August 31 in the Projection Period (100 years)	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05%, Including Inflation
Ad hoc Post-employment Benefit Changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018, available on the TRS website.

# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

#### F. Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2019, are summarized below:

<u>Asset Class</u>	<u>FY 2019 Target</u>	<u>New Target</u>	<u>Long-term Expected Geometric</u>
	<u>Allocation<sup>1</sup></u>	<u>Allocation<sup>2</sup></u>	<u>Real Rate of Return<sup>3</sup></u>
	<u>%</u>	<u>%</u>	<u>%</u>
<b>Global Equity</b>			
U. S.	18.00	18.00	6.40
Non-U.S. Developed	13.00	13.00	6.30
Emerging Markets	9.00	9.00	7.30
Directional Hedge Funds	4.00	0.00	0.00
Private Equity	13.00	14.00	8.40
<b>Stable Value</b>			
U.S. Treasuries <sup>4</sup>	11.00	16.00	3.10
Absolute Return (Including Credit Sensitive Investments)	0.00	0.00	0.00
Stable Value Hedge Funds	4.00	5.00	4.50
<b>Real Return</b>			
Global Inflation Linked Bonds <sup>4</sup>	3.00	0.00	0.00
Real Estate	14.00	15.00	8.50
Energy, Natural Resources and Infrastructure	5.00	6.00	7.30
Commodities	0.00	0.00	0.00
<b>Risk Parity</b>			
Risk Parity	5.00	8.00	5.8/6.5 <sup>5</sup>
<b>Leverage</b>			
Cash	1.00	2.00	2.50
Asset Allocation Leverage	0.00	(6.00)	2.70
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>7.23</b>

<sup>1</sup> Target allocations are based on the Strategic Asset Allocations as of FY 2019.

<sup>2</sup> New allocations are based on the Strategic Asset Allocations to be implemented FY 2020.

<sup>3</sup> 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%.

<sup>4</sup> New target allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

<sup>5</sup> 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% target volatility.

#### G. Discount Rate Sensitivity Analysis

The following shows the impact on the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the 7.25% discount rate that was used in measuring the Net Pension Liability:

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

	<u>1% Decrease in Discount Rate</u> <u>(6.25%)</u>	<u>Discount Rate</u> <u>(7.25%)</u>	<u>1% Increase in Discount Rate</u> <u>(8.25%)</u>
District's proportionate share of the net pension liability	\$907,057	\$590,092	\$333,289

**H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the District reported a liability of \$590,092 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 590,092
State's proportionate share that is associated with the District	1,077,949
Total	<u>\$ 1,668,041</u>

The net pension liability was measured as of August 31, 2018, and rolled forward to August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018, thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.0011352%, which was an increase of 0.0001288% from its proportion measured as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation**

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas legislature approved funding for a 13<sup>th</sup> check. All eligible members retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever is less.

For the year ended June 30, 2020, the District recognized pension expense of \$262,315 and revenue of \$169,331 for support provided by the State.

At June 30, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual actuarial experience	\$ 2,479	\$ 20,489
Changes in actuarial assumptions	183,076	75,655
Differences between projected and actual investment earnings	5,926	-
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	100,139	14,492
District contributions paid subsequent to the measurement date	33,996	-
<b>Total</b>	<b>\$ 325,616</b>	<b>\$ 110,636</b>

The \$33,996 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Pension Expense</u> <u>Amount</u>
2021	\$ 46,209
2022	38,495
2023	38,302
2024	41,077
2025	19,561
Thereafter	(2,660)

**NOTE 9 – DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN**

**A. Plan Description**

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Postemployment benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

**B. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at [https://www.trs.texas.gov/Pages/about\\_publications.aspx](https://www.trs.texas.gov/Pages/about_publications.aspx), under "Financial Reports;" by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

**C. Benefits Provided**

TRS-Care provides health insurance coverage to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible Medicare retirees and their dependents may pay premiums to participate in the Medicare Advantage health plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance

# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table:

	<b>Medicare</b>	<b>Non-Medicare</b>
Retiree or surviving spouse	\$135	\$200
Retiree and Spouse	529	689
Retiree or Surviving Spouse, and Children	468	408
Retiree and Family	1,020	999

#### D. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

	<u><b>2019</b></u>	<u><b>2020</b></u>
Active Employee	0.65%	0.65%
Districts (Employer)	0.75%	0.75%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Federal/Private Funding Remitted by the Districts	1.25%	1.25%

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

Contribution amounts for the fiscal year ending June 30, 2020 were as follows:

Member (Employee)	\$9,945
District (Employer)	\$13,487
Non-Employer Contributing Entity (State)	\$16,416

#### E. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018, TRS pension actuarial valuation that was rolled forward to August 31, 2019:

Rates of Mortality	Rates of Retirement	Rates of Termination
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# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

Wage Inflation  
General Inflation

Expected Payroll Growth

Rates of Disability Incidence

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50% a period of 13 years.

The total OPEB liability was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Actuarial Assumptions:	
Inflation	2.30%
Single Discount Rate*	2.63% as of August 31, 2019
Aging Factors	Based on Plan Specific Experience
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of the pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%
Ad hoc Post-employment Benefit Changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023, has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.30%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a .25% addition to the long-term trend rate assumption.

#### F. Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. *Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members.* Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### G. Sensitivity of the Net OPEB Liability

##### Discount Rate

The following presents the net OPEB liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the AA/Aa rate:

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

	<u>1% Decrease in Discount Rate (1.63%)</u>	<u>Discount Rate (2.63%)</u>	<u>1% Increase in Discount Rate (3.63%)</u>
District's Proportionate Share of the Net OPEB Liability	\$1,180,572	\$977,842	\$819,250

**Healthcare Cost Trend Rates**

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	\$797,691	\$977,842	\$1,219,167

**H. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

At June 30, 2020, the District reported a liability of \$977,842 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate share of the collective net OPEB liability	\$ 977,842
State's proportionate share that is associated with the District	1,299,336
Total	<u>\$ 2,277,178</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District's proportion of the Net OPEB Liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018, through August 31, 2019.

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0020677%, which was an increase of 0.0004240% from its proportion measured as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation**

The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the Total OPEB Liability.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the Total OPEB Liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25 % of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the Total OPEB Liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the Total OPEB Liability.

There were no changes in benefit terms since the prior measurement date.

# Bynum Independent School District

## Notes to the Financial Statements

### For the Year Ended June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$121,729 and revenue of \$34,245 for support provided by the State.

At June 30, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 47,972	\$ 160,014
Changes in actuarial assumptions	54,312	263,016
Differences between projected and actual investment earnings	127	21
Changes in proportion and differences between the District's contributions and the proportionate share of contributions	316,238	-
District contributions paid subsequent to the measurement date	11,538	-
<b>Total</b>	<b>\$ 430,187</b>	<b>\$ 423,051</b>

The \$11,538 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>OPEB Expense Amount</u>
2021	\$ (13,154)
2022	(13,154)
2023	(13,190)
2024	(13,209)
2025	(13,204)
Thereafter	61,509

### NOTE 10 – RETIREE BENEFITS PAID BY OTHERS

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2020, 2019, and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$6,590, \$4,167, and \$5,000, respectively.

The Texas Legislature in 2019 directed the transfer of funds to pay certain retiree benefit costs of TRS-Care. The District's proportionate share of the benefit of these transfers was \$4,771 for the year ended June 30, 2020.

These payments are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**NOTE 11 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

Deferred outflows and deferred inflows at year-end were as follows:

	Statement of Net Position		Balance Sheet - Governmental Funds	
	Governmental Activities		General Fund	Debt Service Fund
Deferred Outflows of Resources:				
From Pension Activities	\$	291,620	\$ -	\$ -
Pension Contributions after the Measurement Date		33,996	-	-
From OPEB Activities		418,649	-	-
OPEB Contributions after the Measurement Date		11,538	-	-
<b>Total Deferred Outflows of Resources</b>	<b>\$</b>	<b>755,803</b>	<b>\$ -</b>	<b>\$ -</b>
Deferred Inflows of Resources:				
From Pension Activities	\$	110,636	\$ -	\$ -
From OPEB Activities		423,051	-	-
Unavailable Property Taxes		-	47,166	6,537
<b>Total Deferred Inflows of Resources</b>	<b>\$</b>	<b>533,687</b>	<b>\$ 47,166</b>	<b>\$ 6,537</b>

**NOTE 12 – REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

Revenues from local and intermediate sources for the year ended June 30, 2020, consisted of the following:

Revenue	General Fund	Debt Service Fund	Special Revenue		Total
			Funds		
Property Taxes	\$ 1,029,408	\$ 159,193	\$ -	\$ -	\$ 1,188,601
Interest Income	8,745	9	-	-	8,754
Food Sales	-	-	6,983	-	6,983
Extra-curricular Activities	9,248	-	9,401	-	18,649
Contributions	14,975	-	-	-	14,975
Other	239	-	-	-	239
<b>Total</b>	<b>\$ 1,062,615</b>	<b>\$ 159,202</b>	<b>\$ 16,384</b>	<b>\$ -</b>	<b>\$ 1,238,201</b>

**NOTE 13 – JOINT VENTURE-SHARED SERVICE ARRANGEMENTS**

**Hill County Shared Services Arrangement**

The District participates in the Hill County Shared Services Arrangement (HCSSA) for special education resource services. This shared service arrangement includes twelve participating independent school districts. Covington ISD is acting as fiscal agent and is also a member district. Funding is provided through state and local funds from member districts and through federal funds received by the HCSSA. Approximately 5% of the activity of the shared service arrangement is attributable to the District. The District has a joint ownership interest in fixed assets purchased and the net equity of the HCSSA; however, the fiscal agent is not accumulating significant financial resources or obligations that would give rise to a future additional benefit or burden to the District. Member districts reimburse the fiscal agent for expenditures which exceed state and federal funding sources. The District's share of expenditures for the year ended June 30, 2020, was \$112,809.

**NOTE 14 – HEALTH CARE COVERAGE**

During the period ended June 30, 2020, employees of the District were covered by TRS-ActiveCare. TRS-ActiveCare is a statewide health care benefits program for employees of school districts, charter schools, regional education service centers, and other educational districts. The program was authorized by Article 3.51-2, Texas

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

Insurance Code and was documented by contractual agreement. Participation in TRS-ActiveCare was mandatory for the District, and for all districts with fewer than 500 employees, beginning on September 1, 2002.

The District paid premiums of \$225 per month per eligible employee participating in the health insurance program. Each employee paid the balance of their premium due, and, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums are paid to the TRS. Latest financial statements for TRS-ActiveCare are available for the year ended August 31, 2019.

**NOTE 15 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. To provide protection against risk of loss, the District participates in various interlocal agreements. These programs were created and are operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. Participating members execute Interlocal Agreements that define the responsibilities of the parties.

**Property and Liability Losses**

The District participated in the Public Educators Association of Texas’ Property & Casualty Program (PEAT) to provide insurance coverage in auto liability and physical damage, property, general liability, and crime and liability for misconduct.

The District pays an annual premium for its coverages and transfers the risk to PEAT. In the event that PEAT was to discontinue operations, the member districts would be responsible for any eligible claims not funded by the pool. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years. The program anticipates the District has no additional liabilities.

**Self-Insured Workers Compensation Program**

Since September 1, 1994, the District has met its requirement to provide workers’ compensation insurance by self-insuring through an interlocal agreement (the “Agreement”) with other school districts as authorized under Section 504.011 of the Labor Code. The program is managed for the benefit of the member districts by contractual agreement with Claims Administrative Services, Inc. (CAS). CAS operates through a board of trustees composed of representatives from CAS and members elected by member school districts.

Under the Agreement, CAS annually establishes an amount of fixed costs for each member district and an amount (the “Loss Fund Maximum”) for which each member district is potentially liable for claims. Member claims are paid up to the Loss Fund Maximum, after which claims are shared by member districts up to their respective Loss Fund Maximums. CAS maintains specific and aggregate excess of loss insurance to cover excess losses. Stop loss insurance for both years was obtained through Midwest Employers Casualty Company, providing self-insured retention per occurrence of \$1,000,000 and aggregate excess insurance of \$5,000,000. CAS annually reports the District’s estimated liability for claims incurred but not reported and incurred but not paid. These amounts for the past three years were as follows:

	Fiscal Year Ending June 30,		
	2020	2019	2018
Claims paid for the fiscal year	\$ 1,918	\$ 8,407	\$ 1,218
Liability for claims incurred but not reported and incurred but not paid at end of year	\$ 10,442	\$ 13,580	\$ 11,976
Loss fund maximum for the following fiscal year	\$ 15,619	\$ 14,415	\$ 14,148

There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**Bynum Independent School District  
Notes to the Financial Statements  
For the Year Ended June 30, 2020**

**NOTE 16 – COMMITMENTS AND CONTINGENCIES**

**State and Federal Funding**

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. Any disallowed claims resulting from such audits could become a liability of the General Fund. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

**Litigation**

From time to time the District is involved in legal proceedings relating to its operations as a school district. In the opinion of management, there are currently no legal matters that would result in any financial impact.



## **Required Supplementary Information**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**Bynum Independent School District  
Budgetary Comparison Schedule - General Fund  
For the Year Ended June 30, 2020**

**Exhibit G-1**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 1,002,456	\$ 1,014,548	\$ 1,062,615	\$ 48,067
5800	State Program Revenues	1,523,408	1,878,251	1,886,078	7,827
5900	Federal Program Revenues	45,367	28,367	28,187	(180)
5020	Total Revenues	2,571,231	2,921,166	2,976,880	55,714
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	1,100,682	1,270,598	1,196,821	73,777
0012	Library & Instructional Resources	33,095	38,213	33,989	4,224
0013	Curriculum & Staff Development	7,841	12,385	8,144	4,241
0023	School Leadership	146,095	175,623	166,663	8,960
0031	Guidance, Counseling & Evaluation	66,396	86,521	76,919	9,602
0033	Health Services	6,700	7,700	4,247	3,453
0034	Student Transportation	125,179	105,179	60,578	44,601
0036	Extracurricular Activities	97,862	99,710	91,010	8,700
0041	General Administration	253,332	256,208	234,056	22,152
0051	Plant Maintenance & Operations	415,218	404,857	361,587	43,270
0052	Security & Monitoring Services	8,800	9,800	2,879	6,921
0053	Data Processing Services	135,028	137,028	115,841	21,187
Debt Service:					
0071	Principal On Long-Term Debt	15,300	15,300	15,132	168
0072	Interest On Long-Term Debt	3,200	3,200	2,889	311
0073	Debt Service Fees	1,000	1,000	-	1,000
Intergovernmental:					
0093	Payments to Shared Services Arrangements	123,000	121,000	112,809	8,191
0095	Payments to Juvenile Justice Alternative Ed Programs	3,000	6,000	4,655	1,345
0099	Other Intergovernmental Charges	37,000	39,000	35,193	3,807
6030	Total Expenditures	2,578,728	2,789,322	2,523,412	265,910
1100	Excess (Deficiency) of Revenues over Expenditures	(7,497)	131,844	453,468	321,624
<b>OTHER FINANCING SOURCES (USES)</b>					
8911	Transfers Out	(35,852)	(44,336)	(21,000)	23,336
7080	Total Other Financing Sources (Uses)	(35,852)	(44,336)	(21,000)	23,336
1200	Net Change in Fund Balance	(43,349)	87,508	432,468	344,960
0100	Fund Balance, Beginning	1,473,323	1,473,323	1,473,323	-
3000	Fund Balance, Ending	\$ 1,429,974	\$ 1,560,831	\$ 1,905,791	\$ 344,960

The accompanying notes to required supplementary information are an integral part of this schedule.

**Bynum Independent School District**  
**Schedule of the District's Proportionate Share of the Net Pension**  
**Liability of a Cost-Sharing Multiple-Employer Pension Plan –**  
**Teacher Retirement System of Texas**  
**For the Year Ended June 30, 2020**

**Exhibit G-2**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
District's Proportion of the Net Pension Liability	0.0011352%	0.0010064%	0.0009423%
District's Proportionate Share of the Net Pension Liability	\$ 590,092	\$ 553,946	\$ 301,296
State's Proportionate Share of the Net Pension Liability Associated with the District	1,077,949	1,157,975	708,555
Total	<u>\$ 1,668,041</u>	<u>\$ 1,711,921</u>	<u>\$ 1,009,851</u>
District's Covered- Employee Payroll	\$ 1,375,745	\$ 1,300,529	\$ 1,264,236
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered- Employee Payroll	42.89%	42.59%	23.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%
	<b>2017</b>	<b>2016</b>	<b>2015</b>
District's Proportion of the Net Pension Liability	0.0009410%	0.0011230%	0.0005076%
District's Proportionate Share of the Net Pension Liability	\$ 355,602	\$ 396,966	\$ 135,587
State's Proportionate Share of the Net Pension Liability Associated with the District	921,646	1,035,609	637,858
Total	<u>\$ 1,277,248</u>	<u>\$ 1,432,575</u>	<u>\$ 773,445</u>
District's Covered- Employee Payroll	\$ 1,253,565	\$ 1,452,395	\$ 1,045,857
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered- Employee Payroll	28.37%	27.33%	12.96%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

The amounts presented are determined as of the Plan's fiscal year ending August 31st of the prior year.

This schedule is intended to show information for the last ten fiscal years. Additional years will be included as they become available.

**Bynum Independent School District  
Schedule of District Contributions to the Teacher Retirement  
System of Texas Pension Plan  
For the Year Ended June 30, 2020**

**Exhibit G-3**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contributions	\$ 40,155	\$ 33,510	\$ 28,374
Contributions in Relation to the Contractually Required Contributions	40,155	33,510	28,374
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,530,064	\$ 1,337,304	\$ 1,315,067
Contributions as a Percentage of Covered Employee Payroll	2.62%	2.51%	2.16%

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contributions	\$ 30,221	\$ 30,014	\$ 31,469
Contributions in Relation to the Contractually Required Contributions	30,221	30,014	31,469
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,253,565	\$ 1,321,258	\$ 1,508,501
Contributions as a Percentage of Covered Employee Payroll	2.41%	2.27%	2.09%

The amounts are presented for the District's fiscal year ending June 30.

This schedule is intended to show information for the last ten fiscal years. Additional years will be included as they become available.

The accompanying notes to required supplementary information are an integral part of this schedule.

**Bynum Independent School District**  
**Schedule of District's Proportionate Share of the Net OPEB**  
**Liability of a Cost-Sharing Multiple-Employer OPEB Plan - Texas**  
**Public School Retired Employees Group Insurance Program**  
**For the Year Ended June 30, 2020**

**Exhibit G-4**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's Proportion of the Net OPEB Liability	0.0020677%	0.0016437%	0.0014737%
District's Proportionate Share of the Net OPEB Liability	\$ 977,842	\$ 820,701	\$ 640,875
State's Proportionate Share of the Net OPEB Liability Associated with the District	1,299,336	1,102,770	988,790
	<u>\$ 2,277,178</u>	<u>\$ 1,923,471</u>	<u>\$ 1,629,665</u>
District's Covered-Employee Payroll	\$ 1,375,745	\$ 1,300,529	\$ 1,264,236
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	71.08%	63.11%	50.69%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	2.66%	1.57%	0.91%

The amounts presented are determined as of the Plan's fiscal year ending August 31st of the prior year.

This schedule is intended to show information for the last ten fiscal years. Additional years will be included as they become available.

The accompanying notes to required supplementary information are an integral part of this schedule.

**Bynum Independent School District  
Schedule of District Contributions to the Texas Public School  
Retired Employees Group Insurance Program  
For the Year Ended June 30, 2020**

**Exhibit G-5**

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contributions	\$ 13,487	\$ 12,191	\$ 9,113
Contributions in Relation to the Contractually Required Contributions	13,487	12,191	9,113
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,530,064	\$ 1,337,304	\$ 1,315,067
Contributions as a Percentage of Covered Employee Payroll	0.88%	0.91%	0.69%

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Contractually Required Contributions	\$ 10,924	\$ 7,962	\$ 8,871
Contributions in Relation to the Contractually Required Contributions	10,924	7,962	8,871
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered-Employee Payroll	\$ 1,253,565	\$ 1,321,258	\$ 1,508,501
Contributions as a Percentage of Covered Employee Payroll	0.87%	0.60%	0.59%

The amounts are presented for the District's fiscal year ending June 30th.

This schedule is intended to show information for the last ten fiscal years. Additional years will be included as they become available.

The accompanying notes to required supplementary information are an integral part of this schedule.

# **Bynum Independent School District**

## **Notes to Required Supplemental Information**

### **For the Year Ended June 30, 2020**

#### **NOTE 1 – BUDGETARY DATA**

The Board of Trustees adopts an appropriated budget for the General Fund, Debt Service Fund and Food Service Fund (which is included in the Special Revenue Funds). These budgets are prepared using the same method of accounting as required for financial reporting, as required by law. The remaining Special Revenue Funds (primarily federal grant programs) utilize a budget developed at the administration level, subject to federal and state grant compliance requirements and approval by the grantor.

The District is required by law to present the adopted and final amended budgeted revenues and expenditures for each of these three funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1, the Food Service Fund budget report appears in Exhibit J-2, and the Debt Service Fund budget report is in Exhibit J-3.

These procedures are followed in adopting these budgets:

- a. Prior to June 20, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the revenues and other means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
- c. Prior to July 1, the budget is legally adopted through passage of a resolution by the Board.
- d. Once a budget is approved, it can only be amended at the function and fund level by approval of the Board. Amendments are presented to the Board at its meetings. As required by law, such amendments are made before the budget is exceeded at the function level, are reflected in the official minutes of the Board, and are not made after fiscal year end.
- e. Unexpended appropriations lapse at year-end.
- f. Deficit fund balances are prohibited by state law.

Budgets amendments are necessary to meet unforeseen needs throughout the year. Amendments within a function do not require Board approval. Many amendments are considered routine in nature and reflect changes in account coding or changes in planning. Non-routine amendments generally involve additional appropriations to fund capital expenditures or major purchases.

#### **Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities, but they reflect commitments for purchases and they are reported as reservations of fund balances. Open encumbrances at fiscal year-end, if any, are included in restricted, committed, or assigned fund balance, as appropriate.

The District had no outstanding encumbrances at the end of the year.

#### **NOTE 2 – DEFINED BENEFIT PENSION PLAN, EXHIBITS G-2 & G-3**

These schedules reflect the available years of data since the inception of GASB 68 in fiscal year 2014-15 and will eventually reflect ten years of data.

Current actuarial methods and assumptions used for funding purposes can be found in the Actuarial Assumptions, Section E of Note 8, to the basic financial statements. Changes in actuarial assumptions and changes in benefits since the prior actuarial valuation can be found in Section H. Previously reported changes in actuarial assumptions since the inception of GASB 68 reported in previous years follows.

#### **Changes in 2018-19**

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

## **Bynum Independent School District Notes to Required Supplemental Information For the Year Ended June 30, 2020**

- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017, to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.

### **Changes in 2015-16**

#### *Economic Assumptions*

- Inflation assumption was decreased from 3.00% to 2.50%.
- Ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- Small adjustments in the service-based promotional/longevity component of the salary scale.
- Payroll growth assumption was lowered from 3.50% to 2.50%.

#### *Mortality Assumptions*

- Post-retirement mortality tables for retirees were updated to reflect recent TRS member experience. Future mortality rates will be assumed to continue to improve using a fully generational approach and Scale BB.
- Pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table. Future mortality rates will be assumed to continue to improve using a fully generational approach and Scale BB.

#### *Other Demographic Assumptions*

- Methodology for projecting rehires was modified to add a more explicit valuation of the rehire incidence in the termination liabilities. There were adjustments to the termination patterns for members consistent with experience and future expectations, and to reflect the rehire assumption.
- Small adjustments were made to the retirement patterns and to disability patterns for members consistent with experience. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

#### *Actuarial Methods and Policies*

- The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

### **NOTE 3 – DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN, EXHIBITS G-4 & G-5**

These schedules reflect the available years of data since the inception of GASB 75 in fiscal year 2017-18 and will eventually reflect ten years of data.

Current actuarial methods and assumptions used for funding purposes can be found in the Actuarial Assumptions, Section E of Note 10, to the basic financial statements. Changes in actuarial assumptions and changes in benefits since the prior actuarial valuation can be found in Section H. Previously reported changes in actuarial assumptions and changes in benefits reported in previous years follows.

### **Changes in 2018-19**

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- The discount rate was changed from 3.42% as of August 31, 2017, to 3.69% as of August 31, 2018.

The 85<sup>th</sup> Legislature, Regular Session, passed statutory changes to benefits in House Bill 3976 which became effective on September 1, 2017. The changes: created a high-deductible health plan that provided a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017, and are not eligible to enroll in Medicare; created a single Medicare



# **Bynum Independent School District**

## **Notes to Required Supplemental Information**

### **For the Year Ended June 30, 2020**

Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants; allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare; allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period; and, eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

#### **Changes in 2017-18**

Significant plan changes were adopted during fiscal year ending August 31, 2017.

- Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage.
- The assumption that the savings related to the Medicare Part D reimbursements would phase out by 2022 was removed. This change significantly lowered the OPEB liability.
- The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

The valuation impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include: 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%; premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax; and, there were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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## **Other Information**

Other supplementary information includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It does include information required by TEA.

**Bynum Independent School District  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2020**

**Exhibit H-1**

Data Control Codes		211	240	255	270
		ESEA Title I, Part A	School Brkfst / Lunch Program	ESEA Title II, Part A	REAP Grant
<b>ASSETS</b>					
1110	Cash & Temporary Investments	\$ -	\$ 14,840	\$ -	\$ -
1240	Due from Other Governments	12,493	-	1,868	-
1000	Total Assets	<u>\$ 12,493</u>	<u>\$ 14,840</u>	<u>\$ 1,868</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2160	Accrued Wages Payable	\$ 4,388	\$ 7,220	\$ 1,557	\$ -
2170	Due to Other Funds	7,562	-	136	-
2200	Accrued Expenditures	543	615	175	-
2000	Total Liabilities	<u>12,493</u>	<u>7,835</u>	<u>1,868</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted:					
3450	Grant Funds	-	7,005	-	-
Committed:					
3545	Other	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>7,005</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 12,493</u>	<u>\$ 14,840</u>	<u>\$ 1,868</u>	<u>\$ -</u>

289	410	461	Total
ESEA Title IV, Part A	Instructional Materials Allotment	Campus Activity Funds	Nonmajor Governmental Funds
\$ 253	\$ -	\$ 10,046	\$ 25,139
2,246	26,595	-	43,202
<u>\$ 2,499</u>	<u>\$ 26,595</u>	<u>\$ 10,046</u>	<u>\$ 68,341</u>
\$ 2,247	\$ -	\$ -	\$ 15,412
-	26,595	-	34,293
252	-	-	1,585
<u>2,499</u>	<u>26,595</u>	<u>-</u>	<u>51,290</u>
-	-	-	7,005
-	-	10,046	10,046
-	-	10,046	17,051
<u>\$ 2,499</u>	<u>\$ 26,595</u>	<u>\$ 10,046</u>	<u>\$ 68,341</u>

**Bynum Independent School District**  
**Combining Statement of Revenues, Expenditures & Changes in**  
**Fund Balances**  
**For the Year Ended June 30, 2020**

Exhibit H-2

Data Control Codes	211 ESEA Title I, Part A	240 School Brkfst / Lunch Program	255 ESEA Title II, Part A	270 REAP Grant
<b>REVENUES</b>				
5700 Local & Intermediate Sources	\$ -	\$ 6,983	\$ -	\$ -
5800 State Program Revenues	-	3,692	-	-
5900 Federal Program Revenues	44,686	83,976	6,934	15,648
Total Revenues	44,686	94,651	6,934	15,648
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	44,686	-	6,934	15,648
0012 Library & Instructional Resources	-	-	-	-
0035 Food Services	-	115,906	-	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
6030 Total Expenditures	44,686	115,906	6,934	15,648
1100 Excess (Deficiency) of Revenues over Expenditures	-	(21,255)	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
7915 Transfers In	-	21,000	-	-
7080 Total Other Financing Sources (Uses)	-	21,000	-	-
1200 Net Change in Fund Balance	-	(255)	-	-
0100 Fund Balance, Beginning	-	7,260	-	-
3000 Fund Balance, Ending	\$ -	\$ 7,005	\$ -	\$ -

289 ESEA Title IV, Part A	410 Instructional Materials Allotment	461 Campus Activity Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 9,401	\$ 16,384
-	28,185	-	31,877
10,000	-	-	161,244
10,000	28,185	9,401	209,505
10,000	28,185	3,377	108,830
-	-	1,852	1,852
-	-	-	115,906
-	-	2,835	2,835
-	-	690	690
10,000	28,185	8,754	230,113
-	-	647	(20,608)
-	-	-	21,000
-	-	-	21,000
-	-	647	392
-	-	9,399	16,659
\$ -	\$ -	\$ 10,046	\$ 17,051

**Bynum Independent School District  
Schedule of Delinquent Taxes Receivable  
For the Year Ended June 30, 2020**

Exhibit J-1

Fiscal Year Ended 6/30	1		2	3	10	20	31	32	40	50
	Tax Rate			Net Assessed / Appraised Value for School Tax Purposes	Beginning Balance 7/1/19	Current Year's Total Levy	Total Collections			Ending Balance 6/30/20
	M & O	Debt Service					M & O	Debt Service	Entire Year's Adjustments	
2011 & prior	Various	Various		Various	\$ 6,512		\$ 110	\$ 5	\$ -	\$ 6,397
2012	\$ 1.1700	\$ 0.0602		\$ 58,380,206	1,200		-	-	-	1,200
2013	1.1700	0.1374		61,447,071	1,248		-	-	-	1,248
2014	1.1700	0.1966		64,645,763	2,344		740	124	-	1,480
2015	1.1700	0.1810		68,490,748	5,239		1,067	165	-	4,007
2016	1.1700	0.1948		68,383,866	6,147		1,290	215	(70)	4,572
2017	1.1700	0.1737		75,043,611	6,627		3,619	537	(67)	2,404
2018	1.1700	0.1574		83,503,465	10,356		4,495	605	(398)	4,858
2019	1.1700	0.1587		87,803,643	43,445		26,621	3,611	(531)	12,682
2020	1.0683	0.1659		95,171,204		\$ 1,174,603	973,256	151,418	(5,245)	44,684
1000 TOTALS					\$ 83,118	\$ 1,174,603	\$ 1,011,198	\$ 156,680	\$ (6,311)	\$ 83,532



**Bynum Independent School District  
Budgetary Comparison Schedule - Food Service Fund  
For the Year Ended June 30, 2020**

**Exhibit J-2**

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 11,500	\$ 11,500	\$ 6,983	\$ (4,517)
5800	State Program Revenues	4,023	4,965	3,692	(1,273)
5900	Federal Program Revenues	83,000	82,058	83,976	1,918
5020	Total Revenues	98,523	98,523	94,651	(3,872)
<b>EXPENDITURES</b>					
Current:					
0035	Food Services	134,375	142,859	115,906	26,953
6030	Total Expenditures	134,375	142,859	115,906	26,953
1100	Excess (Deficiency) of Revenues over Expenditures	(35,852)	(44,336)	(21,255)	23,081
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfers In	35,852	44,336	21,000	(23,336)
7080	Total Other Financing Sources (Uses)	35,852	44,336	21,000	(23,336)
1200	Net Change in Fund Balance	-	-	(255)	(255)
0100	Fund Balance, Beginning	7,260	7,260	7,260	-
3000	Fund Balance, Ending	\$ 7,260	\$ 7,260	\$ 7,005	\$ (255)

**Bynum Independent School District  
 Budgetary Comparison Schedule - Debt Service Fund  
 For the Year Ended June 30, 2020**

Exhibit J-3

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local & Intermediate Sources	\$ 139,987	\$ 146,232	\$ 159,202	\$ 12,970
5800	State Program Revenues	33,023	26,778	37,004	10,226
5020	Total Revenues	173,010	173,010	196,206	23,196
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal On Long-Term Debt	118,000	118,000	118,000	-
0072	Interest On Long-Term Debt	53,510	53,510	53,506	4
0073	Debt Service Fees	1,500	1,500	1,058	442
6030	Total Expenditures	173,010	173,010	172,564	446
1200	Net Change in Fund Balances	-	-	23,642	22,750
0100	Fund Balances, Beginning	149,116	149,116	149,116	-
3000	Fund Balances, Ending	\$ 149,116	\$ 149,116	\$ 172,758	\$ 22,750

# Karl Kacir, CPA

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## **Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees  
Bynum Independent School District  
Bynum, Texas

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bynum Independent School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Bynum Independent School District's basic financial statements, and have issued my report thereon dated September 10, 2020.

### **Internal Control over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Bynum Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bynum Independent School District's internal control. Accordingly, I do not express an opinion on the effectiveness of Bynum Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Bynum Independent School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Karl Kacir". The signature is written in a cursive, flowing style.

Karl Kacir, CPA  
September 10, 2020

# Bynum Independent School District Schedule of Findings and Questioned Costs For the Year Ended June 30, 2020

## A. Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? No

One or more significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

## B. Financial Statement Findings

THERE WERE NO FINDINGS.

## C. Federal Award Findings and Questioned Costs

A SINGLE AUDIT WAS NOT REQUIRED FOR THE CURRENT YEAR.

THERE WERE NO FEDERAL AWARD FINDINGS OR QUESTIONED COSTS FOR THE CURRENT YEAR.

**Bynum Independent School District  
Corrective Action Plan  
For the Year Ended June 30, 2020**

Finding   Corrective Action

N/A   THERE WERE NO FINDINGS.

**Bynum Independent School District  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2020**

Finding / Recommendation	Current Status	Management's Explanation if Not Implemented
N/A - THERE WERE NO PRIOR YEAR FINDINGS		

**Bynum Independent School District  
Schedule of Required Responses to Selected  
School First Indicators (Unaudited)  
For the Year Ended June 30, 2020**

Exhibit L-1

<b>Data Control Codes</b>	<b>Data Elements</b>	<b>Responses</b>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments. Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ <u>-0-</u>